

To: IAESB

From: S. Thomadakis

Chair, International Ethics Standards Board for Accountants (IESBA)

International Ethics Standards Board for Accountants (IESBA) – 2017Q4 Activity Report

Restructured Code

The IESBA approved the final text of the restructured Code, including:

- Structural and drafting enhancements developed under the Structure of the Code project;
- Revisions to the provisions pertaining to safeguards in the Code, developed under the Safeguards project;
- Revisions to clarify the applicability of the provisions in Part C of the extant Code to professional accountants in public practice, developed under the Applicability project; and
- New application material relating to professional skepticism and professional judgment, developed under the Professional Skepticism (short-term) project.

Subject to PIOB approval, the restructured Code is expected to be released by early April 2018. The text of the restructured Code submitted to PIOB for approval has been made available on the IESBA website in January 2018 together with supporting tracking documentation to facilitate early implementation activities.

Effective Date

With the exception of the revised provisions pertaining to the long association of firm personnel with an audit or assurance client:

- Parts 1, 2 and 3 of the restructured Code will be effective as of June 15, 2019;
- Part 4A relating to independence for audit and review engagements will be effective for audits and reviews of financial statements for periods beginning on or after June 15, 2019; and
- Part 4B relating to independence for assurance engagements with respect to subject matter covering periods of time will be effective for periods beginning on or after June 15, 2019; otherwise, it will be effective as of June 15, 2019.

With respect to the revised Long Association provisions, the IESBA agreed to modify the effective date for the revised provisions relating to assurance engagements in extant Section 291. For assurance engagements covering periods of time, these provisions will be effective for periods beginning on or after December 15, 2018; otherwise, they will be effective as of December 15, 2018.

The effective date for the revised Long Association provisions in extant Section 290 remains unchanged, i.e., these provisions are effective for audits of financial statements for periods beginning on or after December 15, 2018. (As previously announced, as a transitional provision, paragraph 290.163 in Section 290 will have effect only for audits of financial statements for periods beginning prior to December 15, 2023.)

The effective date of the restructured Code does not override the effective date of the revised Long Association provisions.

Rollout and Implementation of the Restructured Code

The IESBA briefly discussed the rollout and implementation of the restructured Code, including possible initiatives it might undertake or publications it might commission to raise awareness of and promote the restructured Code, as well as facilitate its effective implementation. The IESBA agreed to establish a Working Group to develop a strategy for, approach to and timing of the rollout initiatives.

The IESBA will consider the Working Group's initial recommendations at its March 2018 meeting.

Professional Skepticism

The IESBA received an update from its Professional Skepticism Working Group regarding its longer-term professional skepticism initiative, which seeks to respond to calls among stakeholders to explore the applicability of the concept of professional skepticism to all professional accountants. In this regard, the IESBA considered a tentative direction forward regarding development of a consultation paper that would seek stakeholder views on a proposed approach to the question. Among other matters, the consultation paper would explore the specific behaviors that the public expects of all professional accountants, and whether to elaborate on the relationships between those behaviors and the fundamental principles.

The IESBA broadly supported the proposed direction and asked that the Working Group present a draft of the consultation paper for consideration at the March 2018 IESBA meeting.

The IESBA noted that the IAASB and the IAESB are progressing separate initiatives on professional skepticism and will coordinate efforts on the topic with them.

Future Strategy and Work Plan

The IESBA considered a [draft consultation paper](#) on its Strategy and Work Plan (SWP) 2019-2023, which sets out a proposed vision for the Code and a number of strategic themes to guide planned actions, priorities and timing.

As part of its deliberations, the IESBA considered and broadly supported its Planning Committee's analysis of the April 2017 SWP [survey results and related recommendations](#). In addition, the IESBA agreed to add to its 2018 agenda certain pre-commitments arising from recently completed projects or pursuant to matters the PIOB had previously raised, including a review of the independence provisions pertaining to non-assurance services, a review of the provisions in Part 4B of the restructured Code to align with recent revisions to terms and concepts in the IAASB's International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, and the development of an enhanced electronic Code.

At its March 2018 meeting, the IESBA will consider a revised draft of the consultation paper with a view to approving it for release.